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Note verbale dated 30 April 2008 from the Permanent Mission of Bahrain to the United Nations addressed to the Chairman of the Committee

The Permanent Mission of the Kingdom of Bahrain to the United Nations presents its compliments to the Chairman of the Security Council Committee established pursuant to resolution 1737 (2006), and with reference to the latter's note verbale dated 27 March 2008, pertaining to the implementation of resolution 1803 (2008), has the honour to transmit herewith the report of the Kingdom of Bahrain, indicating action taken by the relevant authorities to implement the various paragraphs of the resolution, notably paragraphs 3, 5, 7, 8, 9, 10 and 11 (see annex).

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Annex to the note verbale dated 30 April 2008 from the Permanent Mission of Bahrain to the United Nations addressed to the Chairman of the Committee

[Original: Arabic]

In the name of God, the Merciful, the Compassionate

Report submitted by the Kingdom of Bahrain pursuant to Security Council resolution 1803 (2008)

I. Introduction

In accordance with paragraph 13 of Security Council resolution 1803 (2008) on non-proliferation, and in the context of our cooperation with the Security Council, we have the honour to submit this report containing information on steps taken to implement paragraphs 3, 5, 7, 8, 9, 10 and 11 of the said resolution.

II. Individuals

Memorandum 2/6/08/374, issued by the Minister of the Interior on 12 March 2008 and addressed to the Under-Secretary for Citizenship, Passports and Residence at the Ministry of the Interior, the Director of National Security, the Director of Public Security and the Assistant Under-Secretary for Legal Affairs, instructs those parties to take the following measures:

1. To exercise vigilance regarding the entry into the country of the 13 persons designated in annex 1 to the resolution as being engaged in Iran's nuclear activities; and, in the event of their entry into or transit through the territory of Bahrain, to make the fact known so that the necessary measures can be taken to notify the relevant Security Council Committee;

2. To prevent the entry into Bahrain of the five individuals designated in annex 2 and of additional persons designated by the Security Council or the Committee as being engaged in Iran's nuclear activities, except in special cases of humanitarian need such as religious obligation.

The agencies and parties in question will take appropriate action, in accordance with their respective competences.

III. Implementation of international legal commitments regarding non-proliferation of nuclear weapons

1. The Ministry of the Interior has concluded a number of memorandums of understanding and security cooperation with other States. The Kingdom of Bahrain has acceded to several international conventions on combating smuggling, which bolster Bahrain's fulfilment of its obligations. In addition to the measures mentioned above, the Ministry of the Interior would like to draw attention to further action regarding the Treaty on the Non-Proliferation of Nuclear Weapons, and in particular the legal aspect of the issue.

2. A draft law has been prepared prohibiting the development, production, stockpiling and use of chemical weapons and regulating their destruction. The draft law, which is currently being debated in the Council of Representatives, makes it illegal to develop, produce, otherwise acquire, stockpile or retain chemical weapons, or transfer, directly or indirectly, chemical weapons to any place. By virtue of Decree No. 6 (1997), the Kingdom of Bahrain ratified the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction.

3. By virtue of Act No. 8 (2005), the Kingdom of Bahrain ratified the amendments to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. A draft law on protection from radioactive materials has now been prepared, and is currently being discussed in the Council of Representatives.

IV. Security measures

Surveillance measures are taken through the relevant agencies and departments of the Ministry. Various measures have been implemented by the agencies to tighten control along borders and at crossing points through sea and land patrols and checkpoints. They consist of the following:

1. The entry of chemical or explosive materials is monitored. The Department of Civil Defence and the Coast Guard and the Department of Border Points are taking a number of measures aimed at preventing the entry to the Kingdom of any chemical, radioactive or explosive materials, as well as any other prohibited items. This is also done by monitoring freight vehicles and freight companies.

2. Possession or acquisition of explosives and related substances is monitored. The Explosives Inspection and Monitoring Branch of the General Department of Criminal Investigations and Evidence monitors the handling of any materials considered to be explosives or related substances under the law. It interdicts any unlicensed handling of such activities, as well as any other violations, in accordance with the guidelines provided for in the law, with a view to their ultimate confiscation when a final judgment ordering such is issued.

3. The import of hazardous materials is restricted and there are rules for their disposal. These include the following:

(a) The import or handling of any radioactive or chemical substances is permitted only with authorization in accordance with the laws regulating the handling of such substances in the light of legal guidelines to ensure the safe management of by-products and hazardous waste;

(b) All available modern technology is in use in all relevant areas to control borders and crossing points to prevent attempts to smuggle weapons or other prohibited items.

V. Ports from which goods are exported to Iran on commercial vessels

1. Port of Salman: used for the export of aluminium bars manufactured by the company Aluminium Bahrain. They are loaded into containers in commercial vessels and shipped to Iran.

2. Port of Al-Muharraq: most of the goods destined for Iranian ports are shipped from Al-Muharraq. These goods include cars, soft drinks, processed herb products and drinks similar to Coca-Cola, which are exported to Iran on locally built wooden vessels.

3. Gulf Industrial Investment Company Quays: used for the export of iron pellets made from iron ore, which are shipped to Iran on large bulk vessels.

4. Bahrain Petroleum Company (Babco) Quays: used for the export of certain petroleum derivatives such as regular and premium petrol, which are shipped on tankers and coasters.

VI. Customs Authority

The Customs Authority in Bahrain works to implement all United Nations resolutions, in view of the Kingdom of Bahrain's commitment, as an effective member of the international community, to preserving international peace and security. The Customs Authority has been prompt in implementing Security Council resolution 1803 (2008), which calls upon Member States to monitor the import, re-import and transit of goods related to nuclear technology, and to monitor imports related to persons or institutions connected with Iranian nuclear activities.

The Customs Authority therefore inspects all goods that are imported, re-imported or in transit. At all customs points, specialized officials review the cargo manifest of goods and check the source, quantity, type, import country, export country, name of sender and recipient, shipping documents and insurance. If it is suspected that the shipment might contain prohibited items, customs officials take the necessary measures to seize it and single out the goods for verification. The Customs Authority has instructed all officials involved in this work to inspect all freight vehicles being transported to Iran, to ascertain the sender and recipient of those vehicles, and to seize them if they contain components or materials related to nuclear technology. Officials have likewise been instructed to monitor all imports and exports connected with the persons and institutions listed in Security Council resolution 1803 (2008).

VII. Conclusion

The Kingdom of Bahrain is committed to implementing the said resolution, and will inform the relevant Committee of any developments in that regard.

Annex to the note verbale dated 28 May 2008 from the Permanent Mission of Bahrain to the United Nations addressed to the Chairman of the Committee

[Original: Arabic]

Annex to the report of the Kingdom of Bahrain on Security Council resolution 1803 (2008)

1. Measures taken by the Ministry of Social Development

The Ministry of Social Development takes an active part in combating money-laundering and the financing of terrorism through its financial monitoring of community-based organizations (CBOs), and in particular of movements of funds from and into Iran. The principal measures taken by the Department of Community-Based Organizations of the Ministry of Social Development with regard to supervision of the financial transactions of organizations registered with the Ministry are as follows:

- In 2005 the Ministry was restructured and a new Department of Community-Based Organizations established consisting of the following three sections: the Financial and Administrative Auditing Section, the Registration and Disclosure Section and the Community-Based Organization Affairs Section. The Financial and Administrative Auditing Section oversees and monitors the financial affairs of organizations, subject to the Ministry's oversight, and the Registration and Disclosure Section renders decisions on legal matters.

- The Ministry of Social Affairs is now a member of the Anti-Money-Laundering Committee, whose recommendations and decisions it implements with a view to preventing any illegal or improper transactions.

- Article 21 of the Law on Social and Cultural Associations and Clubs, Private Institutions and Sports Organizations (promulgated by Decree-Law No. 21 of 1989) authorizes the Minister to regulate the granting of authorizations for associations to collect donations from the public, hold fund-raising events or engage in any other type of fund-raising. Pursuant to that provision, a decision on fund-raising was adopted and an application form issued. Because of the Ministry's keen concern to institute monitoring arrangements to ensure that movements of funds of organizations that are subject to its supervision comply with the law, that first Decision on fund-raising was later amended by Decision No. 27 of 2006 and a new application form laying out the conditions clearly and in detail drafted. An application form was also drafted for the transfer of funds abroad and another for the receipt or acquisition of funds on behalf of CBOs and other organizations that are subject to the Ministry's oversight.

The principal measures currently being taken by the Ministry of Social Development to monitor the financial transactions of organizations subject to its oversight are the following:

(a) Human resources

- An accountant has been hired and efforts are continuing to hire others in the Financial and Administrative Auditing Section, which supervises associations,

clubs and other organizations that are subject to the Ministry's oversight. At this stage, a business account auditing firm will be retained to work with the Ministry in setting up a uniform accounting system for use by organizations.

(b) Legislation

- The Ministry has established a new integrated financial monitoring system for CBOs. An amendment has been prepared to the Law on Social and Cultural Associations and Clubs, Private Institutions and Sports Organizations (the law on non-profit community-based organizations), whose provisions incorporate some of the recommendations contained in the report on best practices published in September 2005 by the Middle East and North Africa Financial Action Task Force (MENAFATF). The draft amendment also provides for associations and clubs to establish internal oversight agencies appointed by each organization's governing body, to periodically monitor the organization's activities and submit a detailed report to the governing body. A copy of the proposed amendment has been submitted to the Chairman of the Anti-Money-Laundering Committee for his comments.

- In partnership with the private sector, the Ministry has established a fund for community-based social work. In addition, a number of banks have sought to establish agencies or institutions that offer comprehensive services and the private sector as a whole is making increasing use of agencies to distribute benefits, donations and charitable contributions under proper and secure arrangements instead of distributing them to CBOs directly or haphazardly without ensuring that the funds reach deserving recipients.

- The Ministry has amended its earlier Decision on fund-raising by adopting Decision No. 27 of 2006 on fund-raising, which contains many of the conditions, restrictions and legal measures with which associations and clubs must comply in order to gain approval. A fund-raising application containing detailed conditions has been drafted and another application for authorization to transfer or send funds abroad has also been prepared. We also wish to draw attention to Decision No. 3 of 2004 on monitoring of the financial activities of private foundations, an amended version of which has been completed with a view to its issuance.

- The Ministry adopted a decision granting certain employees of the Department of Community-Based Organizations the status of judicial police for the purpose of monitoring the activities of the organizations to ensure that they comply with the law, with the Ministry's basic regulations, and with the decisions of the governing bodies of the respective organizations. In addition, job descriptions have been drawn up for financial accountants in the Financial and Administrative Auditing Section of the Department of Community-Based Organizations with a view to establishing posts and filling them as quickly as possible. Another decision will also be proposed specifying the names of the other officials to be granted the status of judicial police in order to expand the pool of people carrying out investigative activities and checking for violations.

(c) Regulatory and follow-up mechanisms

- Social and cultural associations and clubs are thoroughly investigated before authorization is granted to raise funds. Documents are filed with the Financial and Administrative Auditing Section, which monitors and audits the amounts

raised and ensures that they have been deposited in the organization's account and spent for the purpose for which they were requested and raised. In general, the Financial Auditing Section discharges its duties in cooperation with the Registration and Disclosure Section, in accordance with Decision No. 27 of 2006 on fund-raising. Control is thereby maintained over the monitoring of fund-raising operations, and the number of permits has been reduced from 130 in 2006 to 56 in 2007.

- Monthly statements received by the Ministry from the Central Bank of Bahrain are forwarded to the Financial and Administrative Auditing Section for auditing and reporting. The Section also reviews the annual financial reports of CBOs and submits reports on them to the Registration and Disclosure Section for appropriate action.

- Complaints received by the Ministry on any financial matters and complaints and problems regarding the accounts of CBOs and other organizations are handled efficiently and expeditiously. Violations are referred to the Adjudication Committee prior to referral to the Public Prosecutor for legal action. A number of violations have been referred to the Public Prosecutor, including one involving the Social Insurance Association which sent funds abroad without permission from the Ministry.

- The number of bank accounts opened by recently established organizations has been reduced over the past two years by restricting organizations to opening only one or two accounts in one or two banks.

- Beginning in early 2007, lawyers have been sent to attend ordinary and extraordinary meetings of the governing bodies of associations and clubs that are subject to the Ministry's oversight in order to monitor them and to update them on the procedures that must be followed and on legal measures that are being taken.

- There has been coordination with the Central Bank of Bahrain, which was requested to instruct banks not to open accounts for CBOs without written approval from the Ministry.

- Efforts are continuing to coordinate with organizations that are subject to the Ministry's oversight and to urge them to reduce their bank accounts and their banks to one or at most two. Organizations may use multiple branches for one main account with Ministry approval.

- The Department conducted field inspections last year and a schedule of inspections to begin on 1 April is being drawn up this year.

- There is coordination with the Central Bank of Bahrain to provide the Ministry with statements of the funds transferred to organizations that are subject to the Ministry's oversight. The Central Bank currently provides the Department with monthly statements of fund transfers (movements of funds) by these organizations within the Kingdom and abroad. The Central Bank of Bahrain will also be requested to provide us with such statements and annexes identifying each organization's account numbers in order to expedite auditing and monitoring.

- Coordination is taking place with organizations that are subject to the Ministry's oversight, which are asked to specify how many accounts they

have, their numbers and the corresponding banks. Efforts are continuing to reduce accounts and banks to one per organization, even though several branches may be used for a single main account.

- The Ministry regularly sends circulars to organizations that are subject to its oversight. The most recent was dated 20 March 2008 and it covered various conditions and regulations, including the need for Ministry approval prior to engaging in any fund-raising operation.

- The Financial and Administrative Auditing Section reviews financial reports from the organizations to make sure that they have been approved by the executive committees and governing bodies, as well as by a legal accounting office for sums over 10,000 dinars in the case of associations and clubs.

- Monthly statements received by the Department from the Central Bank of Bahrain involving transfers of funds totalling 3,000 dinars or more are reviewed to ensure that they were authorized and reports are submitted to the Adjudication Committee for referral to the Public Prosecutor.

- Coordination with the Economic Crimes Department of the Ministry of the Interior is ongoing. Requests received by the Ministry for the transfer of funds abroad are forwarded to the Department for verification that the parties to whom the funds are being transferred are legitimate and legal. The Ministry is informed of the Department's response as quickly as possible through cooperation with INTERPOL.

- The Department of Community-Based Organizations is in contact and holds meetings with section heads and representatives of associations in breach of the financial regulations. Violations are explained and guidance given on the legal measures that must be followed, particularly with respect to fund-raising operations and transfers of funds abroad. Cases of repeated violations are referred to the Public Prosecutor for legal action against the violators.

(d) Educational activities

- The Department of Community-Based Organizations in the Ministry of Social Development conducts regular workshops at a CBO support centre to explain the Ministry's rules, regulations, decisions and forms. The focus is on clarifying the conditions and standards for legal fund-raising and transfers of funds abroad.

2. Measures taken by the Ministry of Industry and Trade

The Ministry has circulated Security Council resolution 1803 (2008) to the following agencies:

(a) The Ministry's Department of Industrial Affairs to ensure that Bahrain does not manufacture any dual-use materials or products whose manufacture and export to Iran are prohibited;

(b) The Customs Department to ensure that such products are not circulated by way of import, export or through any third State to Iran through the Kingdom of Bahrain.

The annexed report contains details of the volume of trade and goods transiting between Bahrain and Iran.

3. Measures taken by the Central Bank of Bahrain

The Central Bank of Bahrain has circulated Security Council resolution 1803 (2008) of 12 March 2008 to all banks and licensed financial institutions operating in Bahrain.

A copy of the circular is annexed hereto.

Enclosure 1

[Original: English]

Executive Director of Financial Institutions Supervision

EDFIS/C/006/2008
12th March 2008

The General Manager
All Licensees
Manama - Kingdom of Bahrain

Attn: MLROs

Dear Sir,

Re: UN Security Council Resolution 1803 (2008)

This directive is issued in fulfillment of the above UN resolution which requires the exercise of vigilance over financial services provided to Iran in order to avoid financial support contributing to the proliferation of sensitive nuclear activities, or to the development of nuclear weapon delivery systems, as referred to in resolution 1737 (2006).

Specifically, licensees are directed to exercise vigilance and enhanced due diligence over the following:

- When entering into new commitments for public provided financial support for trade with Iran, including the granting of export credits, guarantees or insurance, to their nationals or entities involved in such trade.
- Over activities with all banks domiciled in Iran, in particular with Bank Melli and Bank Sadarat, and their branches and subsidiaries abroad.

Any queries or requests for further clarification on any matter referred to in this Circular should be directed to Mr. Ahmed Jassim Bumtaia, Director of the Compliance Directorate, CBB (Tel No. 17547107/ 17547108; Fax No. 17535673; and e-mail address: abumtaia@cbb.gov.bh).

Yours faithfully,

Abdul Rahman Al-Baker

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Enclosure 2

[Original: Arabic]

Non-oil trade between the Kingdom of Bahrain and the Islamic Republic of Iran from 2001 to 2007 (in Bahraini dinars)

Type of trade	*2001 January-December*	*2002 January-December*	*%*	*2003 January-December*	*%*	*2004 January-December*	*%*	*2005 January-December*	*%*	*2006 January-December*	*%*	*2007 January-December*	*%*
Total imports (1)	11 337 566	12 368 369	9	11 945 323	(3)	10 385 982	(13)	15 387 333	48	15 174 646	(1)	9 798 887	(35)
Imports to the Kingdom of Bahrain	6 724 860	7 884 327	17	6 273 794	(20)	1 174 475	30	8 340 933	2	8 127 555	(1)	4 214 438	(48)
Imports to industrial zones	4 612 706	4 484 042	(1)	5 571 529	26	2 211 507	(61)	7 086 400	230	7 047 091	(1)	5 584 449	(21)
Total exports (2)	17 747 488	15 925 147	(19)	18 985 628	19	1 171 721	(89)	18 928 017	769	21 649 081	14	6 850 727	(18)
Exports from the Kingdom of Bahrain	8 789 428	5 534 393	(32)	4 732 661	(14)	1 364 132	(71)	11 789 734	764	19 215 026	63	4 393 355	(77)
Exports from industrial zones	9 558 060	10 391 454	9	14 252 967	37	812 889	(94)	7 142 281	779	2 434 035	(66)	2 457 372	1
Re-exports (3)	117 729	318 502	162	252 230	(18)	129 704	(49)	3 291 472	2 368	4 312 237	35	6 319 058	47
Balance of trade ((2+3)-1)	6 527 651	3 865 980	(41)	7 291 535	89	8 078 557	(211)	6 742 156	(183)	10 785 672	60	3 370 891	(69)
Volume of commercial exchange (1+2+3)	29 202 783	28 602 718	(2)	31 183 181	9	12 633 487	(59)	37 516 822	196	41 135 964	10	22 968 672	(44)

Notes:
Source: Central Bureau of Statistics (21 April 2008)
2007 data are preliminary

Enclosure 3

[Original: Arabic]

Foreign trade with the Islamic Republic of Iran

Type of trade (currency in millions)		*2006* *January-December* *BD*	*$US*	*2007* *January-December* *BD*	*$US*	%
Kingdom of Bahrain imports	1	15.67	40.14	9.80	25.92	-25
Kingdom of Bahrain exports	2	21.65	57.27	6.85	18.12	-68
Re-export	3	4.31	11.41	6.32	16.72	47
Trade balance		10.79	28.53	3.37	8.92	-69
Volume of commercial exchange		41.14	108.83	22.97	60.76	-44

Introduction:

- Kingdom of Bahrain global imports 2007: 2,255 million Bahraini dinars
- Kingdom of Bahrain global exports 2007: 1,068 million Bahraini dinars

Iranian commercial agencies registered in Bahrain: 10 active

Branches of Iranian companies registered in Bahrain: None

Companies with Iranian partners: 55

Principal imports of the Kingdom of Bahrain from Iran (2007):

Iron ores and unagglomerated concentrates; asphalt; carpets made of wool or fine animal hair (Khurasan Yazd Isfahan Kashan Shiraz); carpets made of composite or artificial textile materials; live sheep or goats; pistachios with shells; fresh and dried fruits and vegetables; saffron; plaster sheeting and boards; pistachios; fresh melons; cumin seed; Jeep automobiles; rosewater; tiles; front-end shovel loaders.

Principal exports of the Kingdom of Bahrain to Iran (2007):

Scrap iron; unalloyed aluminium rods, poles and powder; uninsulated aluminium wire; aluminium sheets, poles and rods; cola; aluminium household implements; lightweight plain weave cotton; aluminium scrap; iron ores and agglomerated concentrates; air conditioners; fish; rubber gaskets.

Source for statistical data: Central Bureau of Statistics

Preliminary data for 2007

Report on trade relations between Bahrain and Iran